Iowa Communities of Distinction: A Summary Analysis of Success Factors & Lessons Learned from In-depth Studies of Selected Iowa Communities. *

Mark A. Edelman and Sandra Charvat Burke **

March 31, 2004

A Report Prepared for the

Community Vitality Center

478 Heady Hall
Ames, IA 50011-1070
Phone: 515-294-3000
FAX: 515-294-3838
E-mail: cvc@iastate.edu
Web site: www.cvcia.org

* This report includes an analysis and summary of factors identified in a series of in-depth community studies completed for a project called Iowa Communities of Distinction sponsored by the Community Vitality Center. The purpose of this project is to examine local perceptions regarding the factors that contributed to community vitality or the lack thereof during the decade of the 1990s in order to provide lessons learned, best practices and innovative ideas for other community leaders in Iowa and other states. Researchers identified eight non-metro communities ranging in population from 1,100 to 11,000. Two communities of similar size were selected from each regional quadrant of the state. One of the two communities from each quadrant exceeded the state average population growth rate for the decade of the 1990s. The other lost population. An interdisciplinary assessment team conducted on-site interviews with a cross-section of local leaders from local government, economic development, education, and healthcare in each community. A total of 75 community leaders from the eight communities were interviewed for this project. Draft reports were developed from field notes and local interviewees were given an opportunity to review the drafts for their community prior to publication.

** Mark A. Edelman is a Professor and Sandra Charvat Burke is a Research Scientist in the Department of Economics, Iowa State University. Both are affiliated with the Community Vitality Center. The authors would like to thank the 75 community leaders for their time and expertise in participating in this study. Tim Shields, Director of Education Services for the Institute of Public Affairs at the University of Iowa provided valuable input during the community selection process. Luke Seibert, graduate student in the Department of Regional Planning, is acknowledged for his participation in several site visits. Rick Morain, Jefferson Bee & Herald Publisher; Becky Johnson, Extension-CVC Secretary; and Laura Klesel, CVC Project Manager, are acknowledged for their editing expertise during final review.

Iowa Communities of Distinction: An Analysis of Success Factors and Lessons Learned from In-depth Studies of Selected Iowa Communities

Many policy makers and community leaders across Iowa are interested in the factors that lead to community vitality. While the definition of community vitality may vary over time, by community, and by individual preferences and objectives, many themes relating to the definition appear to be held in common across several communities and leadership groups.

This topic is of heightened interest in Iowa, a state that has lagged behind other neighboring states in population and income growth. It is of particular interest in recent years due in part to the overall weakness in the general economy and fiscal pressures on state and community public and private sector entities.

In this study, the researchers presume that state growth and vitality is defined as the collective sum of the growth and vitality present in its metropolitan commercial centers, agricultural and natural resource sector, and nonmetro communities. While each component has important linkages to the other two, addressing factors of growth for two of three components will not necessarily stimulate the third. Applying a "weakest link theory," the researchers conclude that decision-makers should not be surprised to find stagnant growth in the overall state economy, if any one of the three major components is severely depressed or lacking in attention relative to its respective potential economic contributions to the state's overall economy.

During the past decade, the Rural Policy Research Institute (RUPRI) nationally identified rural policy to be something broader and more complex than sectoral agricultural policy. For many purposes, Rural America is considered to be the population base of nearly 60 million people that reside outside of counties that are designated to be metropolitan for federal statistical purposes. It should be noted that this definition of rural generally includes the farm population and communities up to about 50,000 in population. It should also be noted that no definition is ever going to be perfect. For example many people who live on farms within metropolitan counties consider themselves to be rural, however analysts cannot include them in rural statistics because they reside in a metro county.

While many analysts and media reports have heralded the decline in rural representation within the Iowa General Assembly, agricultural interests have historically been very well organized and have demonstrated considerable ability to influence policy matters of priority as they relate to agricultural issues. In addition, Iowa's commercial centers gained added economic and political momentum in recent decades as indicated by the county-by-county patterns in retail sales and media reports noting the activities of the Chamber Alliance.

In Iowa, the network of nonmetro counties based on the designations in use during the 2000 Census included 88 counties. According the 2000 Census and other information, these counties accounted for 52 percent of Iowa's population, 50 percent of the Iowa labor force, and 47 percent of the aggregate income. Thus it is true that Iowa's commercial centers represent a growing share of Iowa's economic and political clout. However, it is also true that even if agricultural incomes and populations were to be deleted from both metro and nonmetro counties, Iowa's nonmetro counties also represent a significant contribution to Iowa's economic vitality.

A recent ISU study found that up to 25 percent of Iowa's economy can be directly or indirectly attributed to agriculture. And while most agricultural interests are willing to accept rural development narrowly defined as value-added agriculture as a top tier priority, other nonfarm economic development initiatives often receive much less support and are sometimes opposed by agricultural interest groups, even though a majority of farm families have increasingly depended on off-farm employment and income in recent decades.

Similarly other non-ag interest groups often place a higher priority on influencing policies affecting specific institutions, sectors, and/or narrow institutional interests in contrast to the multi-dimensional, multi-jurisdictional, multi-sector relationships that often must be spanned for effective nonmetro community policy and rural economic development. In addition, most statewide interests posses both metro and nonmetro members and often prefer to avoid conflicts between internal member interests. Thus nonmetro community policy and rural economic development other than value added agriculture often falls victim to becoming a second tier priority on the agenda for interest groups and policymakers. Even though nonmetro communities still represent an important contribution to Iowa's overall economy, the diversity of interests among and shear number of participants in the nonmetro community network represents the weakest link in terms of political clout and performance.

The basic statistics suggest that all three legs of Iowa's economic stool are important and if any one of the three falters, the state's economy will likely falter as a result. Stated another way, Iowa's economy is not likely to achieve its maximum potential unless all three legs of the stool are achieving their maximum potential contribution to the overall economy. So it is with this rationale that the Community Vitality Center commissioned a series of in-depth community studies to assist in identifying local perceptions about indicators of community vitality or lack thereof, local perceptions about strategies that generate growth and vitality, and lessons learned about managing policy and resources related to community growth and decline.

I. Community Selection Criteria and Methods

The primary method for selecting communities for this study was to identify a fast growing community each quadrant of the state that exceeded the state average population growth rate during the 1990s. Size of community was considered so to include a range of community sizes.

Second, a paired community of similar size that lost population during the 1990s was identified in each quadrant of the state so as to reduce the differences in regional influences that may alter community performance characteristics.

A multi-disciplinary team conducted interviews with a cross-section of leaders from local government, economic development, education and healthcare. The stated purpose was to (1) identify local perceptions about the reasons for community success or lack thereof, (2) compare and contrast the secondary data and local perceptions to identify lessons learned, and (3) to develop ideas about appropriate indicators of community vitality that may be of use to policymakers and leaders of other communities.

The communities included in the sample ranged between 1,000 and 11,000 in population. Mount Pleasant and Ft. Madison were included from southeast Iowa. Sioux Center and Cherokee were included from northwest Iowa. Postville and Guttenberg were included from northeast Iowa. Bedford and Corning were included from southwest Iowa.

II. Comparison of Selected Community Vitality Indicators from Secondary Data

A comparison of descriptive community characteristics are helpful in comparing the unique contexts of the circumstances, challenges, and opportunities faced by each of the communities selected for in-depth analysis. It is useful to be familiar with the indicators to more fully understand the differential challenges faced by community leaders presented in the in-depth community studies. Below is a table of selected characteristics and community vitality indicators from secondary data sources.

Table 1. Communities of Distinction Comparisons of Selected Characteristics, 2000

	Population		1990/2000 Population change		Med. age	Median houshld income	Median house Value	Mean commute time	Race & resident diversity	Adult divorce rate	Adult percent college degree	Consolidated property taxes	
	1990	2000										FY04 Levy	Rank
Mt. Pleasant	7,959	8,751	+792	10.0	35.6	$35,558	$81,700	11.8 min.	10.4%	13.1%	18.1%	$35.25	261
Ft. Madison	11618	10715	-903	-7.8	39.8	34,318	53,700	16.2 min.	10.1%	14.5%	14.7%	$37.21	150
Sioux Center	5,074	6002	+928	18.3	25.5	42,775	106,200	10.3 min.	6.3%	1.7%	27.8%	$31.84	472
Cherokee	6,026	5,369	-657	-10.9	42.6	31,240	54,500	13.4 min.	3.4%	10.0%	13.3%	$38.60	94
Postville	1,472	2,273	+801	54.4	34.8	32,667	64,300	12.4 min.	23.1%	6.8%	16.8%	$32.37	435
Gutten-berg	2,257	1,987	-270	-12.0	45.3	29,151	82,200	17.6 min.	1.6%	8.2%	13.5%	$32.22	447
Bedford	1,534	1,638	+104	6.8	42.2	28,125	38,500	18.5 min.	2.6%	10.4%	10.9%	$40.56	46
Corning	1,806	1,783	-23	-1.3	42.3	28,977	50,700	18.3 min.	1.2%	8.0%	10.0%	$41.25	34

Source: U.S. Census Bureau, 1990-2000; Property Tax Data FY04, Iowa Department of Management.

III. Lessons Learned.

The researchers identified ten lessons learned from analysis of the secondary data and field notes from the 75 interviews conducted during the in-depth study site visits.

1. Exceptions to almost every generalization.

In some paired comparisons, there was little difference between the passion of leaders, willingness to work together in the community, and development strategies deployed. In other paired comparisons, differential levels of collaboration and agreement among local leadership groups may well have contributed to differential scenarios for community growth.

2. It takes a community spark plug and/or collaboration focused on growth.

The high growth communities often traced efforts to one or two leaders who created the initial spark that put things on track one or two decades back. Local leaders indicated that succeeding generations of leaders have incrementally built on the past successes. A sense of history about the key decisions, risks, and relationships that generated the initial growth served to inspire confidence, respect, and need for innovation and due diligence in efforts to continue a record of performance and the community culture for growth.

3. Developing and sustaining economic engines for community growth either takes pro-growth incentives and focused leadership, or luck.

Nearly all of the high growth communities often went "the extra mile" to make a deal work for both the prospective company, expansion or retention project and the community.

Some high growth communities benefit from good luck in the form of spillovers from being located next to neighboring communities that experienced growth in the region.

While community attractions and recreational amenities are important aspects of quality of life, they often may add to the community tax burden and may not generate a sustainable economic engine for the community except under unique circumstances.

4. Loss of major employer was a key factor in communities with population loss

Every community that lost population could identify one or more major private and public sector employers in the region that significantly downsized or moved out.

In some cases, communities that lost population had organized effectively to rebound from the loss, but had simply not yet recouped the full amount of the earlier loss.

The high growth communities generally did not lose major employers or at least were able to attract a greater number of jobs and firms than were previously lost.

5. Entrepreneurship has been important in the past.

Every high growth community and community that lost population could identify at least one major employer that was home grown.

6. Lack of effective local collaboration can limit success

The high growth communities generally demonstrated a high level of collaboration and agreement within and among local leadership groups regarding the mix of tools and strategies for implementing pro-growth incentives in the community.

While not true in every case, some communities appeared to lack uniform views among leaders regarding the incentives and strategies that should be deployed.

7. Regional cooperation is not universally viewed as being necessary for high growth.

One high growth community attributed its success to competition among communities in the region and exhibited strong sentiments against regional collaboration within the county. Another high growth community identified a recent failure due to efforts in regional collaboration.

However, other leaders in high growth communities said regional collaboration efforts generated local successes and that participation was more likely to occur if local benefits were clear.

8. Taxes and the services provided are among many factors that appear to be related to community growth. Causality appears to be indeterminate and varies by circumstance.

Some high growth communities had high tax rates while some communities with population losses had low tax rates. In some communities, high property taxes were seen to be the result of natural disasters, loss of large public and/or private sector employers, and lack of growth. At the same time, others suggested that taxes are one of many factors such as labor, trade agreements, and global competition that may have contributed to loss of a private sector employer.

In some cases, the causal factors were often viewed to be largely beyond control of local leaders. Substantial investments in downtown revitalization were made by all communities during the past decade. Local investments in community infrastructure and community attractions designed to improve community economic performance and quality of life contribute to higher taxes during the debt repayment period. In other cases, previous annexation strategies or lack thereof, also appeared to have influenced the current level of property tax rates for the community.

In one case, a high growth, high-income community had lower property tax rates but residents may have paid more in property taxes per household because housing market and valuations were higher than other communities. Thus comparisons across communities may be similar to contrasts across states. For example South Dakota has the combination of low taxes, low per capita income, and high growth, while Minnesota has high taxes, high per capita income, and high growth. The literature notes that different attribute combinations appeal to different firms.

9. Education and attracting young people are important

High growth communities tend to have a lower median age of residents, attract young people, and possess more community support for education and education's role in the community.

10. Healthcare is an engine of growth that may often be ignored

Hospitals and schools are typically among the largest local employers in nonmetro communities. The health care institutions in the communities visited appeared to be very entrepreneurial and often appeared to operate more independently from other local leadership groups.

IV. Consensus Best Practice Ideas

Four observations seem pervasive across all of the interviews conducted.

- All communities indicated that they focused most of their resources on retention and expansion programs for existing local businesses.

- While all communities appeared to be positioned to receive new industrial prospects as the economy improves, only two communities indicated they were actively involved in recruiting during the period of the site visits. All leader groups indicated the weak economy had reduced the number of business prospects in recent years.

- All expressed concern over future prospects for their retail sectors due in part to the development of larger regional malls in the state.

- All expressed interest in entrepreneurship but did know what could be done on a cost effective basis.

- All communities expressed displeasure with state and local fiscal relationships and most felt abandoned and ignored by recent state economic development initiatives.

V. A Broad List of Community Vitality Indicators

Rural communities are diverse in many respects. A typical rural community may have a dozen or more sectors that represent separate economic engines for the community. Each sector of the economy has its own unique indicators representative of industry goals and performance. Thus depending on the intended use, any given list of general community indicators may be overly simplistic for use with the unique mix of industries and sectors present in the economic base of the community. In addition, a narrow and limited list of indicators that are not linked to identified community objectives may not fully inform leaders and citizens about the circumstances, challenges and progress being made toward community goals.

The list of 40 indicators provided below represent reoccurring suggestions emerging from local interviews and is intended to represent a broad list of indicators. Some indicators were of less importance in some communities. Some indicators were of more importance to some leadership groups in the community relative to others.

Local Community Economic Development Indicators

1. Clear goals and cooperative collaboration among local leaders
2. Aggressive leadership on use of tools and tax incentives to make projects work
3. Response and reaction after loss of major employer
4. Existing business expansion projects and new jobs created
5. Existing businesses retained and jobs retained
6. New firms attracted/relocated locally during past few years and jobs created
7. New business startups and jobs created
8. Change in personal income per capita
9. Employment surplus or leakage
10. Retail sales surplus or leakage
11. Value of new growth and capital investment in infrastructure, construction, & housing
12. Housing starts and availability of housing alternatives
13. Updated infrastructure, water, sewer, streets, electricity, gas, telecommunications
14. Proximity to interstates, rail commerce, commercial airports and metro areas.
15. Success in attracting state and federal grants and/or investment
16. Aggressive retention and expansion assistance programs to support existing businesses
17. Available industrial/business park space and facilities with utility/transportation access
18. Availability of entrepreneurial centers, support networks, mentors, and expertise
19. Availability of seed capital, venture capital, and angel investors
20. Aggressive annexation for economic base building and prevention of future problems
21. Competitive utility rates and/or city-owned utilities
22. Regional (collaboration or competition) in economic development
23. Government consolidations, joint ventures, outsourcing, and public/private partnerships
24. Change in farm numbers, agribusiness, and value added agricultural ventures
25. Industry cluster strategies that complement existing businesses
26. Active foundations and collaborative nonprofits that channel resources to enhance vitality
27. Wellness centers, recreational amenities, events and quality of life attractions
28. Religious and faith-based organizations that encourage productive and harmonious culture

Education

29. Change in enrollment & net direction of open enrollment/tuition students
30. Student performance indicators
31. Newness of school facilities
32. Passage of School bonds, SILO, or PPEL levies
33. Collaborative/supportive private schools and community use groups
34. Local presence of college or university

Healthcare

35. Percentage non-Medicare patients
36. Market penetration for service area
37. Newness of healthcare facilities and technology
38. Number of medical specialists with scheduled local visits
39. Hospital operating balance
40. Special federal hospital status